IN THE SUPREME COURT OF IOWA

No. 16–1265

Filed December 29, 2017

ALEXANDER SHCHARANSKY and **TATIANA SHCHARANSKY,**

Appellants,

vs.

VADIM SHAPIRO, BORIS PUSIN, ILYA MARKEVICH, ALEX KOMM and **DMITRY KHOTS,**

Appellees.

On review from the Iowa Court of Appeals.

Appeal from the Iowa District Court for Polk County, David Porter, Judge.

Appellants seek further review of judgment denying action for contribution. **DECISION OF COURT OF APPEALS VACATED; DISTRICT COURT JUDGMENT REVERSED AND CASE REMANDED.**

Mark E. Weinhardt and Danielle M. Shelton of the Weinhardt Law Firm, Des Moines, for appellants.

Jason C. Palmer and Timothy N. Lillwitz of Bradshaw, Fowler, Proctor & Fairgrave PC, Des Moines, for appellees.

APPEL, Justice.

In this case, the parents of coguarantors of a loan provided funds to their children to pay part of an underlying debt. The funds were placed in accounts owned or co-owned by the coguarantors. The coguarantors then paid down a debt with funds drawn from these accounts. The coguarantors filed an action seeking contribution from other guarantors of the underlying debt.

After trial, the district court held that the coguarantors were not entitled to contribution because the funds used to make the payments on the debt were provided to them by their respective parents. The court of appeals affirmed. We granted further review.

For the reasons expressed below, we vacate the decision of the court of appeals, reverse the judgment of the district court, and remand the case to the district court.

I. Factual and Procedural Background.

A. Introduction. This case centers on the financial difficulties of Continuous Control Solution, Inc. (CCS). In 2005 and 2006, CCS borrowed a total of approximately $900,000 from Wells Fargo Bank. The CCS debt was personally guaranteed by eight CCS shareholders: Vadim Shapiro, Boris Pusin, Ilya Markevich, Alex Komm, and Dmitry Khots (the Shapiro Group); and Alexander Shcharansky, Boris Shcharansky, and Zoya Staroselsky (the Shcharansky Group).

In September 2007, faced with financial difficulty, members of the Shapiro Group, then comprising the majority of the shareholders of CCS, began to prepare for bankruptcy. On September 16, the Shcharansky Group agreed to purchase the Shapiro Group's shares in CCS pursuant to a stock purchase agreement. Paragraph 7.1(a) of the stock purchase agreement provided that the Shcharansky Group would cause CCS to

> [u]se best efforts to, and prior to the payment of any existing or new debt obligations payable by the Corporation to any Buyer or any Buyer's immediate relative or any entity affiliated with any Buyer or any Buyer's immediate relative, satisfy and repay in full all debt obligations of the Corporation owed to Wells Fargo Bank, N.A.

CCS, however, did not make any principal payments to Wells Fargo from the time it entered into the stock purchase agreement through May 2009.

In October 2008, Wells Fargo filed a petition seeking to collect on the personal guaranties made by the Shapiro and Shcharansky Groups to secure the loans made to CCS. In April 2009, the district court granted summary judgment in favor of Wells Fargo on its claims against CCS and the eight guarantors in the amount of $909,338.27 plus interest. Litigation continued with respect to other claims brought by the Shcharansky and Shapiro Groups against each other, with the end result of an entry of a $2.8 million judgment in favor of the Shapiro Group and against the Shcharansky Group. *See Wells Fargo Bank, Nat'l Ass'n v. Continuous Control Sols., Inc.*, No. 10–1070, 2011 WL 2695269, at *3, 7 (Iowa Ct. App. July 13, 2011) (affirming the judgment).

In June 2009, CCS, Alexander and Tatiana Shcharansky[1] entered into a forbearance agreement with Wells Fargo and CCS. Pursuant to the forbearance agreement, CCS paid Wells Fargo $400,000. CCS agreed to pay the remaining amount in eight quarterly payments of $76,022.11 beginning September 1, 2009, and ending June 1, 2011. CCS made the quarterly payments in September 2009, December 2009, and March 2010.

[1]Tatiana, Alexander's wife, had not previously been a coguarantor but became one through the forbearance agreement, bringing the total number of coguarantors to nine.

In June 2010, CCS did not make its quarterly payment on the Wells Fargo debt. Instead, Alexander made the June 2010 quarterly payment of $76,022.11 from a joint account co-owned by Leonid Shcharansky—Alexander's father—Alexander, and Raya Shcharansky, after Leonid transferred funds to the joint account from his retirement account. Leonid was not a coguarantor of the loan and had no personal exposure arising out of the CCS indebtedness to Wells Fargo.

Similarly, in September 2010 and December 2010, CCS did not make its quarterly payment on the Wells Fargo indebtedness. Instead, Tatiana made the quarterly payment of $76,022.11 in September and $190,039.15 and $51,896.77 in December from her checking account. The December payment was in excess of the ordinary quarterly payment in the amount needed to pay the remainder of the debt in full. The funds for these payments were provided by Tatiana's parents.

In total, the Shcharanskys paid $393,980.14 of the Wells Fargo debt. Following the final payment of the CCS indebtedness, Wells Fargo filed a satisfaction of judgment in favor of CCS and the personal guarantors, thus relieving all guarantors, including the Shapiro Group, from personal liability for the Wells Fargo debt.

While CCS and the Shcharanskys were attempting to manage the Wells Fargo debt, CCS entered into a number of additional loan transactions with Shcharansky-affiliated persons. During 2008, 2009, and 2010, CCS obtained a number of loans from Alexander, Alexander's father Leonid, Tatiana, Alexander's cousin, and Zorass, LLC, an entity owned by Alexander, his father, and Slava Staroselsky. The amount of these Shcharansky-affiliated loans was cumulatively in excess of $500,000. By October 2010, prior to the retirement of CCS's indebtedness to Wells Fargo, CCS repaid at least $467,599.66 on these

loans. As President of CCS, Alexander made the decisions to make these loan repayments.

B. Original District Court Proceedings. Alexander and Tatiana Shcharansky subsequently filed this action, seeking contribution from each of the five members of the Shapiro Group for their respective shares of the Wells Fargo debt paid by the Shcharanskys on behalf of all guarantors. The amount sought was $218,877.85, or 5/9 of the amount the Shcharanskys paid.

The Shapiro Group filed an answer denying liability with affirmative defenses. The Shapiro Group also brought a counterclaim against Alexander and Tatiana and a third-party petition against Boris Shcharansky, Zoya Staroselsky, Leonid Shcharansky, and Slava Staroselsky. The Shapiro Group alleged that Alexander, Boris, and Zoya breached the stock purchase agreement by making "improper and excessive payments to themselves and/or to entities which they own or are affiliated with, rather than satisfying and repaying in full all debt obligations of CCS owed to Wells Fargo." With respect to Leonid and Slava, the Shapiro Group alleged that they tortiously interfered with the stock purchase agreement. Further, in a claim entitled "contribution," the Shapiro Group alleged, to the extent it is liable to the Shcharanskys, that the cause was the failure of CCS to repay loans and that it is entitled to contribution against all third-party defendants. Finally, the Shapiro Group brought a fraudulent misrepresentation claim related to the stock purchase agreement in which the Shapiro Group alleged that the counterclaim and cross-claim defendants falsely represented that they would use their best efforts to cause CCS to satisfy and repay the obligations of CCS in full.

On May 10, 2012, the Shapiro Group filed a motion for partial summary judgment. On August 31, 2012, following a hearing on the matter, the district court granted the Shapiro Group's defensive motion for summary judgment on the Shcharansky contribution action. The district court also granted the Shapiro Group's offensive motion for summary judgment on their breach-of-contract claim against the Shcharansky Group.

On the contribution claim, the district court focused on the source of funds in granting the Shapiro Group's motion. The district court noted that Alexander and Tatiana did not use their own money to satisfy the Wells Fargo obligation, that they were mere conduits for their parents' money, that the contribution claim was not ripe because Alexandra and Tatiana had not repaid their parents for any funds used to pay down the CCS indebtedness, and that the Shcharanskys failed to show that they were obligated to repay the money obtained from their parents.

With respect to the breach-of-contract action, the district court concluded the stock purchase agreement "clearly and unambiguously" required CCS to satisfy its debt obligations to Wells Fargo "prior to the payment of any existing or new debt obligations payable by the corporation to any buyer or buyer's immediate relative." The district court, however, concluded that because it rejected the Shcharanskys contribution claim, there were no damages to award on the breach-of-contract claim and the action was therefore moot.

The Shcharanskys appealed. We transferred the case to the court of appeals.

C. First Appeal.

1. *Shcharanskys' contribution claim.* With respect to the Shcharanskys' contribution claim, the court of appeals noted that the district court, in granting summary judgment for the Shapiro Group, focused on the source of funds used by Alexander and Tatiana in making the payments on the Wells Fargo debt. *Shcharansky v. Shapiro*, No. 13–0151, 2013 Iowa App. LEXIS 1209, at *10 (Iowa Ct. App. Nov. 20, 2013). According to the court, however, the facts related to the source of funds, whether the funds were advanced specifically to pay off the Wells Fargo loans, and whether Alexander and Tatiana had an obligation to pay back the funds to their parents, "miss the point." *Id.* at *11. The court noted that it was apparently undisputed that the funds came directly from Alexander and Tatiana's bank accounts. *Id.* The court reasoned as follows:

> In light of the undisputed fact that some payments were made from the personal bank accounts of Alexander and Tatiana to satisfy the Wells Fargo obligation, if the finder of fact determines the members of the Shapiro Group were coguarantors (and therefore cosureties) of the obligation of CCS to Wells Fargo, then we believe a genuine issue of material facts exists as to whether Alexander and Tatiana have a right to contribution (and how much) against them . . . .

Id. at *12.

The court of appeals then noted that even if the source of the funds was critical to a claim of contribution, there would be factual issues regarding whether the funds were loans or gifts. *Id.* at *12–13. Further, to the extent the Shapiro Group claimed some kind of "scheme" to create a claim of contribution, the court held the question should be evaluated by the trier of fact. *Id.* at *13 n.13. As a result, the court held the

district court erred in granting summary judgment to the Shapiro Group on the Shcharanskys' contribution claims. *Id.* at *14.

2. *The Shapiro Group's contract claim.* The court of appeals also reversed the district court's grant of summary judgment on the Shapiro Group's breach-of-contract claim. *Id.* at *17. The court declined to rule on the question of whether the language of the stock purchase agreement was ambiguous or to opine about Alexander's conduct under the agreement. *Id.* at *16–17. Instead, the court emphasized the claimed damages in the Shapiro Group's contract action depended upon the outcome of the Shcharanskys' contribution action. *Id.* at *17. Because the court ruled there was a triable issue on the contribution action, the court of appeals reasoned that summary judgment could not be granted on the Shapiro Group's contract action. *Id.*

D. Proceedings Before District Court on Remand. Upon remand, the district court bifurcated the claims. A two-day bench trial was held on the Shcharanskys' claims against the defendants on December 7–8, 2015. The court reserved consideration of the Shapiro Group's counterclaim, cross-claim, and third-party claims for a later jury trial, if necessary. On February 29, 2016, the court entered judgment for the Shapiro Group on the Shcharanskys' contribution claim and dismissed the remaining claims of the Shapiro Group.

With respect to the Shcharanskys' contribution claim, the district court noted that the Shcharanskys' parents had no obligation on the Wells Fargo debt. The district court further noted that, based on the evidence offered at trial, the funds from the Shcharanskys' parents were not loans. The fact that Alexander and Tatiana signed checks from the accounts to Wells Fargo was only "window dressing" as Alexander and Tatiana had no valid right to contribution for the payments made by

their parents. As a result, the district court concluded that the Shcharanskys were not entitled to contribution from the Shapiro Group coguarantors. The district court dismissed all of the Shapiro Group's claims as moot in light of the ruling on the contribution issue.

On March 15, 2016, the Shcharanskys filed a motion to amend and enlarge pursuant to Iowa Rule of Civil Procedure 1.904(2). The Shcharanskys' 1.904 motion requested enlargement, amendment, and or modification of several matters regarding the court's findings of fact, including whether the court would conclude a legal or factual bar to contribution recovery would exist should an appellate court determine the transferred funds were gifts. While the district court characterized the transfer as neither a loan nor a gift, the motion asked the district court to specifically state the nature of the transfer. The motion also sought modification and enlargement of the factual findings supporting the court's conclusion that the parents, rather than the Shcharanskys, made the payments on the loans, among other findings. The district court denied the 1.904 motion.

The Shcharanskys appealed.

E. Second Court of Appeals Opinion. The court of appeals affirmed the district court's dismissal of the Shcharanskys' action for contribution. The court interpreted its previous holding to stand for the proposition that "the source of the funds is critical to Alexander and Tatiana's claim of contribution." The court concluded the Shcharanskys were not entitled to equitable contribution because "[p]ayment by anyone other than an obligor, even though for an obligor's benefit, gives the obligor no right of contribution," and here, the payment was actually made by the Shcharanskys' parents despite the fact that the Shcharanskys made the payments from their personal accounts. *See* 18

Am. Jur. 2d *Contribution* § 11, at 19 (2015) [hereinafter *Contribution*]. The court of appeals reasoned the funds were not a gift, as the Shcharanskys' parents would not have provided the funds but for the debt. Nor were the funds a loan, as the Shcharanskys had not yet reimbursed their parents and the Shcharanskys agreed their parents were unlikely to take negative action against them in the event the funds were not repaid. The court of appeals rejected the Shcharanskys' argument that the defendants would be unjustly enriched absent a finding of entitlement to equitable contribution, noting if the parents had given or loaned the funds to CCS instead of Alexander and Tatiana as individuals, CCS would have no claim for contribution.

The Shcharanskys applied for further review. We granted the application. We decline to review the holding of the court of appeals that the appeal was timely. We review only the ruling of the court of appeals that the Shcharanskys were not entitled to contribution. For the reasons expressed below, we now vacate the decision of the court of appeals, reverse the judgment of the district court, and remand.

II. Standard of Review.

We review equitable claims de novo. *Johnson v. Kaster*, 637 N.W.2d 174, 177 (Iowa 2001). Although we give weight to the district court's factual findings, we are not bound by those findings. *Fencl v. City of Harpers Ferry*, 620 N.W.2d 808, 811 (Iowa 2000).

III. Discussion.

A. Positions of the Parties. The Shcharanskys first argue that the district court's straddle on the question of whether the transfers of funds from the Shcharanskys' parents were gifts or loans was in error. Because the district court concluded the transfers could not be characterized as loans or gifts, the Shcharanskys assert that the

transfers fell into a "no-man's land" in which the transfers were deprived of their desired legal effect. The thrust of the Shcharanskys' argument is that if the transfers are characterized as loans or gifts, they would be entitled to contribution. By refusing to resolve the issue one way or the other, the Shcharanskys claim the district court erred.

In any event, the Shcharanskys argue that the characterization of whether a transfer is a loan or gift is not determinative on the question of whether the Shcharanskys are entitled to contribution. The Shcharanskys emphasize that the key question is whether the party seeking contribution *actually* made the payments. The Shcharanskys assert that when the party that seeks contribution personally made the payments, no inquiry into the source of the funds is necessary. The Shcharanskys further assert that a contrary result provides the Shapiro Group with an unjust windfall, a result that a contribution claim is designed to avoid. *See Hills Bank & Trust Co. v. Converse*, 772 N.W.2d 764, 772–73 (Iowa 2009).

The Shcharanskys argue that the district court erred in relying upon *Allison v. L.E. Allison Estate*, 560 N.W.2d 333 (Iowa 1997). The Shcharanskys point out that in *Allison* the party seeking contribution did not make the payments on the underlying debt. *Id.* at 335. Further, the Shcharanskys suggest that in *Allison* the son-in-law who provided the funds did so on his own behalf because he was farming the land while making very modest rent payments. *Id.* Foreclosure of the underlying loan would have adversely affected the son-in-law. *Id.*

For the above reasons, the Shcharanskys believe that we should reverse the judgment of the district court, direct the district court to enter judgment in their favor against the defendants on their contribution claims, assess trial and appeal costs against the

defendants, and remand the case to the district court for further proceedings on the counterclaim, cross-claim, and third-party claims.

The Shapiro Group contends the *Allison* decision instead stands for the proposition that a contribution claim does not lie when there is no "proof the plaintiffs have been compelled to pay more than their share of the parties' common burden." *Id.* The Shapiro Group argues that the key teaching of *Allison* is not that contribution would be denied because the funds did not come from the coobligor, but rather that payment by anyone other than the obligor, even if for the benefit of the obligor, conveys no right of contribution. *See id.*; *Hills Bank*, 772 N.W.2d at 772; *see also Jackson v. Lacy*, 100 P.2d 313, 318 (Cal. Dist. Ct. App. 1940); *Contribution* § 11, at 19.

The Shapiro Group illustrates its argument with the case of *San Joaquin Valley Bank v. Gate City Oil Co.*, which they describe as the authority most factually on point. 173 P. 781 (Cal. Dist. Ct. App. 1918). In *San Joaquin Valley*, the vice president of the principal debtor who was not a coguarantor advanced funds to a coguarantor for payment of the underlying debt and, through agreement with a coguarantor, made it appear as if the coguarantor made the payment. *Id.* at 782. The coguarantor agreed to pay to the vice president all the money he could recover by way of contribution from other coguarantors. *Id.* The *San Joaquin Valley* court refused to allow such contribution, noting that the structure of the transaction was "mere camouflage" and that the true nature of the transaction was that the coguarantor "did not pay [the debt]" and "failed to establish a right to contribution." *Id.* at 785. According to the Shapiro Group, it would exalt form over substance to hold that sums that simply flow through a coguarantor's bank account on their way to a lender give rise to a right of contribution.

The Shapiro Group then turns its fire on the assertion of the Shcharanskys that the district court erred in failing to determine whether the funds obtained from their parents were gifts or loans. The Shapiro Group notes that one of the payments involved a transfer of money from the personal retirement account of one of the parents into a checking account with three owners, including the parent. Although one of the Shcharansky defendants wrote the check on the account, the Shapiro Group argues that funds never left the control of the parent. Thus, according to the Shapiro Group, the funds were not a gift or a loan. The Shapiro Group claims the funds were put into joint bank accounts merely as a contrivance to hide the true source of the funds—the Shcharanskys' parents.

Further, the Shapiro Group asserts that the Shcharanskys were engaging in inequitable maneuvering vis-à-vis the Shapiro Group. The Shapiro Group points out that the Shcharanskys' contribution petition was filed two weeks after the Shapiro Group had filed a lawsuit against the Shcharanskys in New York to undo an allegedly fraudulent transfer in connection with a condominium project. The Shapiro Group thus implies that the Shcharansky contribution claim was part of a retaliatory strike against them.

The Shapiro Group also points out that Alexander Shcharansky is in charge of the day-to-day operations of CCS, an ongoing concern with substantial revenues and ownership of valuable patents and trade secrets. The Shapiro Group notes that Alexander testified it was possible that CCS could repay him and Tatiana the money they paid to Wells Fargo on the CCS debt. Thus, the Shapiro Group asserts the funds were not a gift or a loan but functionally simply a transfer of funds from the

Shcharanskys' parents, who were strangers to the underlying transactions, to Wells Fargo.

The Shapiro Group also challenges the remedies proposed by the Shcharanskys. The Shapiro Group in this litigation filed a counterclaim and cross-petition to preclude liability on the Shcharanskys' contribution claim. These claims were bifurcated by the district court and were ultimately dismissed as moot when the Shapiro Group prevailed on the contribution claim. According to the Shapiro Group, even if the Shcharanskys prevail on the contribution claim, judgment should not be entered on their behalf on that claim. Instead, according to the Shapiro Group, the case should be remanded to the district court for further proceedings on the Shapiro Group's claims.

B. Discussion.

1. *Introduction.* The right of contribution generally allows one party who satisfies a claim to seek reimbursement from a party or parties sharing common liability. *Hills Bank*, 772 N.W.2d at 772–73. The doctrine of contribution is equitable in nature and is used to prevent unjust enrichment. *Id.* at 772. The right of contribution prevents or remedies the inequity that would result if one party fulfilled an entire debt for which others are jointly liable. *Id.* A party's right to contribution, however, does not arise until a disproportionate payment has been made. *Allison*, 560 N.W.2d at 334; *Telegraph Herald, Inc. v. McDowell*, 397 N.W.2d 518, 519 (Iowa 1986); *Franke v. Junko*, 366 N.W.2d 536, 540 (Iowa 1985). As noted in *Allison*, "the right to enforce a claim for contribution ripens 'only upon a payment or its equivalent by the claimant discharging, satisfying, or extinguishing' more than an equitable share of the common obligation." 560 N.W.2d at 334 (quoting *Dairyland Ins. Co. v. Mumert*, 212 N.W.2d 436, 439 (Iowa 1973),

overruled on other grounds by Lewis v. State, 256 N.W.2d 181, 189–92 (Iowa 1977)).

2. *Relevant Iowa caselaw.* The Iowa caselaw on contribution, particularly in the context of cosureties, is thin. An important case, however, is *Hills Bank*. In *Hills Bank*, we noted the lack of Iowa authorities but cited with approval the approach of Restatement (Third) of Suretyship and Guaranty. 772 N.W.2d at 772–73; *see* Restatement (Third) of Suretyship & Guaranty § 55, at 236 (Am. Law Inst. 1996) [hereinafter Restatement (Third)]. Under section 55 of the Restatement (Third), each cosurety has the right of contribution against other cosureties. Restatement (Third) § 55, at 236. If there is no agreement among cosureties, each cosurety's contributive share is equal to the "aggregate liability of the cosureties to the obligee divided by the number of cosureties." *Id.* § 57, at 243.

Notably, the Restatement (Third) says nothing about the source of funds used by the surety to pay the underlying debt. Although the source of payment of the underlying debt was not an issue in *Hills Bank*, we observed that under the Restatement (Third) a cosurety was entitled to contribution from other cosurities if it could show that the cosurety satisfied an obligation and the other cosurities were equally liable. 772 N.W.2d at 772–73.

The parties contest the relevance of the earlier *Allison* case. In *Allison,* a farmer died, leaving his interest in the farmland to his two sons. 560 N.W.2d at 334. The brothers worked as partners farming the land for many years and at one point purchasing additional land to expand their operation. *Id.* During the farm crisis of the 1980s, the brothers and their wives jointly restructured the mortgage on the additional land through the Farm Credit Bank of Omaha. *Id.* The

brothers and their wives were obligated to make yearly mortgage payments to the bank of $16,444.36 for twenty years. *Id.*

One brother died, and his widow was appointed executor. *Id.* The surviving brother retired from active farming in 1990, leaving his son-in-law to take over day-to-day management of the operation. *Id.* Using proceeds generated by the farming operation, the son-in-law paid $8000 annual cash rent for the farm and made the yearly mortgage payments on the additional land in 1990, 1991, and 1992. *Id.*

The surviving brother and his wife brought an action for contribution against the wife of the deceased brother, both individually and as executor of his estate. *Id.* The surviving brother and wife claimed they were indebted to their son-in-law for the mortgage payments. *Id.* They sought to recover one-half of the mortgage payments from the widow of the deceased brother. *Id.*

The *Allison* court found the district court was justifiably skeptical regarding the authenticity of the surviving brother's alleged promise to repay his son-in-law for the mortgage payments. *Id.* at 334–35. There was no documentation of the obligation of the surviving brother and his spouse to repay the mortgage payments made by the son-in-law. *Id.* The son-in-law, rather than the surviving brother, discharged the mortgage debt. *Id.* at 335. Lacking evidence the surviving brother and his spouse had been compelled to contribute more than their share of the parties' common burden, the *Allison* court found the petition for contribution properly dismissed. *Id.*

Further, we noted, the district court concluded that when the farm debt was restructured, the parties understood the financial obligation would be retired from proceeds of the farming operation. *Id.* The record in *Allison* showed that the cash rent paid by the son-in-law for the use of

the property was well below market value and the farming operation could easily pay the yearly mortgage payments as well as provide for taxes, insurance, upkeep, and more. *Id.*

We do not find the *Allison* case provides much support for the Shapiro Group. In *Allison*, the coguarantor did not make a payment on the underlying debt. *Id.* Further, the facts suggested the parties intended that the mortgage payments would be paid from the farming operations. *See id.* There was thus no evidence that the plaintiffs were compelled to pay more than their share of the parties' common burden. *See id.*

3. *Cases from other jurisdictions*. The Shapiro Group relies heavily on *San Joaquin Valley Bank*. In that case, coobligor defendants claimed that the claimant and others devised a scheme under which they would hold the defendants liable for contribution, save themselves from liability, and release company property from the underlying judgment. 173 P. at 782–83. The evidence showed that an officer of the debtor deposited money in an account, and the claimant then arranged to have the debt paid with the account. *Id.* at 783. The claimant agreed to pay to the officer of the debtor all amounts recovered in the contribution action. *Id.* at 783–84. Accordingly, a California district court of appeal found that substantial evidence supported the conclusion that the plaintiff's payment was "mere camouflage, which failed to conceal the true nature of the transaction." *Id.* at 785.

Here, however, there is no evidence supporting the conclusion that the transfer of funds from the parents to the children was artificial or the subject of a scheme to defraud the Shapiro Group. While the district court failed to classify the transfers as loans or gifts, the lack of characterization does not justify an automatic conclusion the transfers

were a farce. The district court did not point to any evidence so showing, but based its resolution of the case on its inability to characterize the transfers as gifts or loans.

4. *Instructions on remand.* The parties dispute the proper result in the event we find for the Shcharanskys on their contribution claim. The Shcharanskys ask us to order the district court to enter judgment on their contribution claims, while the Shapiro Group asks that we not enter judgment but return the case to the district court to allow it to develop its claims for a set-off.

While the issues were bifurcated for purposes of separate trials, the claims, counterclaims, and cross-claims remain part of a single court case. Further, the counterclaims, cross-claims, and third-party claims of the Shapiro Group appear to be intertwined with the Shcharanskys' contribution claim. The Shapiro Group may be entitled to recover on their theories against various cross and third-party defendants only to the extent that it is liable to the Shcharanskys for contribution.

We therefore hold only that the Shcharanskys are entitled to contribution from the Shapiro Group on the undisputed facts of this case. We remand the case to the district court for further proceedings on the Shapiro Group's claims against the Shcharanskys.

IV. Conclusion.

For the above reasons, the decision of the court of appeals is vacated, the district court judgment is reversed, and the case is remanded to the district court.

DECISION OF COURT OF APPEALS VACATED; DISTRICT COURT JUDGMENT REVERSED AND CASE REMANDED.